

David,

Here are my comments and questions for the Redwood Marine Terminal Project Business Plan. In order to save time I have arranged my comments in bullets and used a casual syntax and formatting style. I understand that some of the comments are out of the scope of the consultant's work they are not out of the scope of consideration of the Commission. I have included them (plus attachments) for the record.

Thanks,

Mike

- This Business Plan really appears to me to be an extension to the feasibility study rather than a business plan. Without economic information and projections contained in this "plan" how could feasibility have been determined in the first report? With this new economic information please evaluate the likelihood of success of Option A over Option B. We need to weight the potential benefits against the likely hood of success. This should take into account the fact that we only have limited resources that need to be used in a way that will have a high likelihood of success.
- I believe that limiting the scope of this analysis to cargo operations with other uses being subordinate to this use has significantly hindered our ability to explore all the options available to us. This process should include full analysis of all the options that are consistent as well as inconsistent with current land use designation. Land use designation changes are being proposed in the area as part of the Samoa Town Project as well as the General Plan update. We are only diminishing our chance of a successful project with such as narrow analysis of the site. Opportunities from a potential zone change should be seriously considered as appears that one will be required in order to move forward with the THA project anyway.
- A major missing component regarding feasibility of the long term major container port concept is the shoaling problem at the entrance of the bay. The current condition of years than not having multi-month draft restrictions will likely have an extreme impact viability of this plan. This was not addressed in the feasibility study or in this plan in anyway. Please include the task of developing and implementing a plan to correct this problem to the analysis, cost and time line.
- The feasibility study indicated that if we are not successful in our effort at the Redwood Dock that maybe another landowner on the peninsula may take on the project. Are there potential negative impacts to the District's marine terminal project and our competitiveness for market share if another landowner on the peninsula pursues a similar project? How could limitations on the capacity of the rail system impact the port's expansion potential and thus tariff potential into the future?

- Are we able to apply the restrictions that we could require of a potential concessioner to all our tideland leases? If we can not, how will the impact our competitiveness with other potential developments on the bay?

### **Section 1.1.1**

The report states that "...Option B incorporates to allow the District to capitalize on short to medium term opportunities, and generate revenues to support long term development." I do not see any plan for the "initial construction of a multipurpose berth" to "generate revenues to support long term development." Please include in your plan a method whereby the District could fund its own path to Option B as explicitly instructed by the board.

The plan recommends that the District "investigate environmental requirements and permits needed to extend the turning basin and dredge at the berth should there be market and shipping line demand." Please identify the estimated ship size limits of the turning basin identified in the simulation study and how will that effect the market potential of the terminal project? I understand it is TransSystems opinion that no new dredging will be required. However, no data or information was given to back up this opinion.

How could the shoaling problem at the entrance to the harbor impact the terminal project? (please see attached figures)

There needs to be much more clarity on this recommendation as I was under the impression that the feasibility study and this plan have conclusively identified that the market is so solid that we invest what will be hundreds of thousands of dollars on marketing to the large ship market.

### **Section 1.2.7**

Please include an analysis of the potential of seeking funds for dock development for marine highway operations from agencies such as the CTC and what impact that might have on the cash flow projections. Please also add to your sensitivity analysis a reasonable range of funding possibilities and interest rates.

### **Section 2.1**

While it is pointed out in policies outlined in this section that port and harbor uses are to be pursued, there is nothing specifically promoting Humboldt Bay to become a major port or gateway interstate goods movement which the long term plan promotes.

### **Section 2.3**

I am not clear on the relevance of repeating the tabulated results of the public comments from the feasibility study in the business plan. While I believe whole heartedly that public comments are important and should be taken very seriously, the point of gathering comment for a study or a plan is to gather information and questions to provide clarification and answers to make the feasibility study or plan a more accurate document.

It is unusual to include in the body of a report, graphs or figures with no interpretation. Since there is no interpretation or determination of value of the data (such as the public is in favor of a project or not) then there is no reason for it to be included in the body of the text. The data is presented has the appearance of polling data used to estimate public sentiment. It is not, and could be misleading. It is well known that without accurate polling data public sentiment is difficult to gauge. Public comment of this type is not polling data and should not be promoted, even passively, as such.

This is in contrast to the very accurate polling done of the commissioners as to the adequacy of the feasibility study. In this case 60% found it adequate and recommended moving forward with Option B and 40% were not in favor of the discretionary action.

#### **Section 5.2.1**

Please provide economic feasibility information about other coastal dependent industries that are not now included in this plan. This could include such industries such as ship, boat and/or barge building servicing and repair or the “feeder barge” model for distribution of goods as an alternative to the rail line.

#### **Section 6.1**

Both current and future pie charts show a majority of port capital expenditures in the US being funded by port revenues. Yet the Business Plan only discusses one private investment option for growth from the multi purpose berth project to the major terminal. Please explore the possibly of how the district might fund the project ourselves as we requested in the final feasibility study or explain why this is not possible.

#### **Section 6.2**

Table 6-3 shows some examples of private sector port investment. Please identify similar concessions where a port authority’s entire terminal asset is concessioned to a single operator and any incidences where a port concession includes the only rail assets that connects to the port.

#### **Section 6.3.1**

Please review and evaluate a funding strategy that includes other options such as seeking state or federal transportation funding for the terminal as an independent transportation infrastructure asset for maritime highway use.

## **Section 7**

The section should define the threshold of what makes the various phases complete. For example what will have been accomplished after the estimated three years of “Rail Corridor Coordination”? Planning documents need to have clearly delineated outcomes of the phases identified.

Figure 7-1 has a phase called the “Business Plan/Funding”. I was under the impression that this was the business plan. Please specify how this task is different than what we are engaged in currently.

Figure 7-2 has at least two very unrealistic time interval estimates. The first is the “Rail Corridor Coordination” phase. As mentioned above, it is not clear what this task is or what completes this task. It should be noted that the Chairman of the NCRA board has estimated in a recent letter to the Marin Independent Journal in February of 2008 that the environmental review process for the Eel River section will alone take 5 years to complete, after initiation, which is not anticipated to occur soon. In addition, according to the Trans Systems Feasibility Study referencing an NCRA report, the construction phase will be another 5 years. These are just for repairs and does not include tunnel, siding, alignment adjustments and track upgrades required provide the capacity and performance needed for the market requirements outlined in the study. Please adjust this estimate to match the most recent information.

The second is relevant to the berth and/or turning basin dredging time line. The idea that any significant action about this would take two years is beyond optimistic. One only has to look at time for the process that was undertaken by the District to engage in the last deepening project. In the current regulatory environment this will only take longer. Please consult the relevant permitting agencies and review the District’s experience with this process for a more accurate estimate.

The commission was told that staff has done an extensive vessel simulation. Please specify what additional vessel simulation will be needed. Are there other certifications beyond the simulation studies that are required before the larger (longer than 650’) are allowed to enter the port?

## **Section 9.5**

How do the proposed rates for handling of materials and berthing in Table 9-6 compare to rates being charged at other docks around Humboldt Bay and other west coast ports?

### **Section 9.6.4**

It seems that the salary and overhead of \$40,000 per year per administrative staff is low. Please check with our current administrative employee costs and adjust accordingly.

### **Section 10.8**

This report only really analyses an economic model assuming containers. It seems that this maybe the model that produces the most potential revenue. At the last RAPIT forum the importation of cars seemed to be something that created the most interest from the panelists. Please calculate the revenue model assuming the District is perusing this and other markets as well.

This section seems to imply that container shipping could push out the cruise shipping. Assuming the multi purpose berth is successful in attracting the cruise ships predicted, how could the cruise ship business be impacted by the movement into major terminal operations? The current design is limited to two berths. Will there be enough room for both at full capacity? Will tourists want to come to a container terminal? How can we be negotiating in good faith with cruise shippers and the THA if in the long term model there is no room for cruise shipping?

# Changes in Humboldt Bay Entrance and Channel Dredging Volumes Over Time

## **Data Sources**

### **Draft Programmatic 5-Year Environmental Assessment**

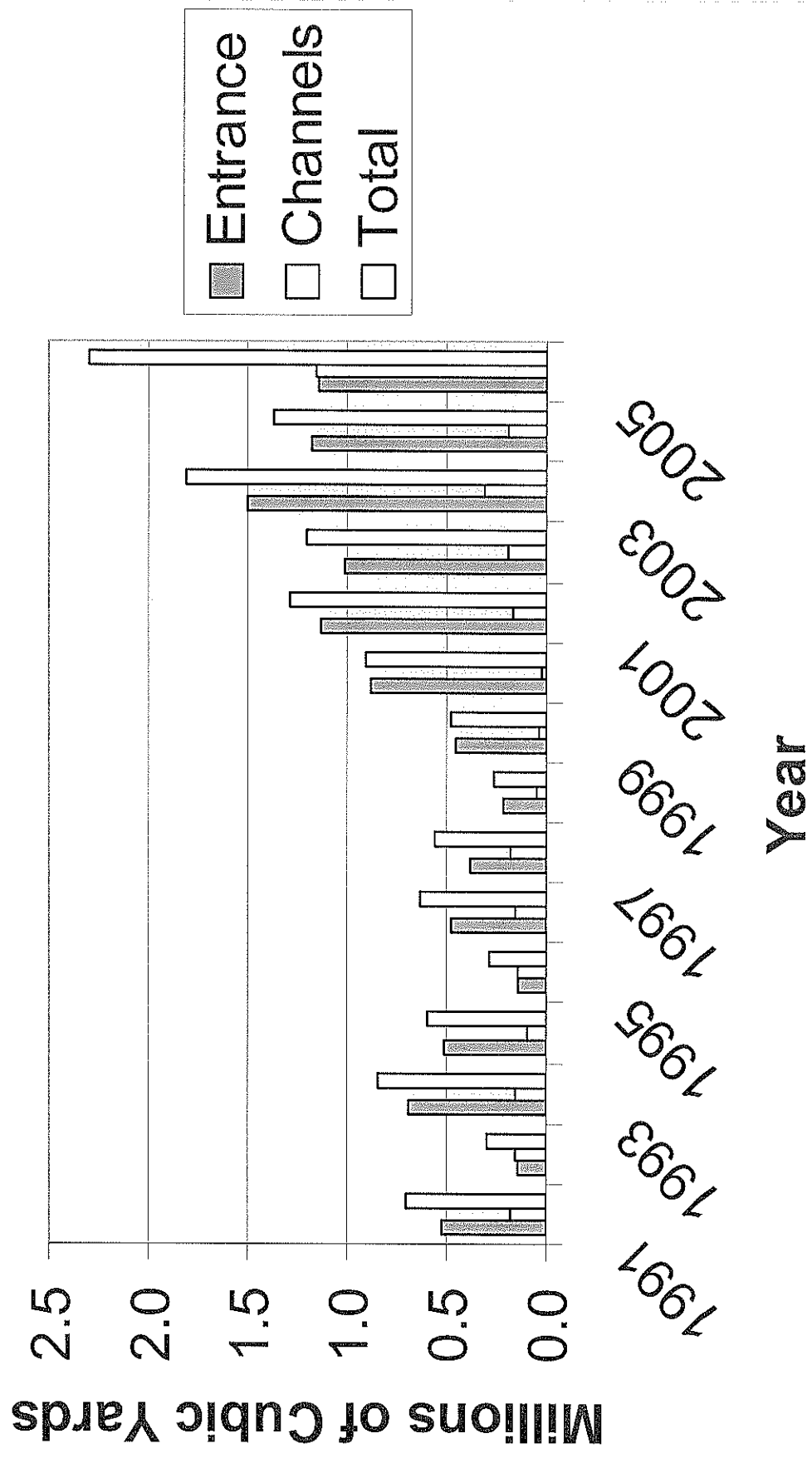
Humboldt Harbor and Bay  
Operations and Maintenance Dredging  
February 2006

U.S. Army Corps of Engineers  
San Francisco District  
*Coastal Inlets Research Program*  
Humboldt Bay, California,

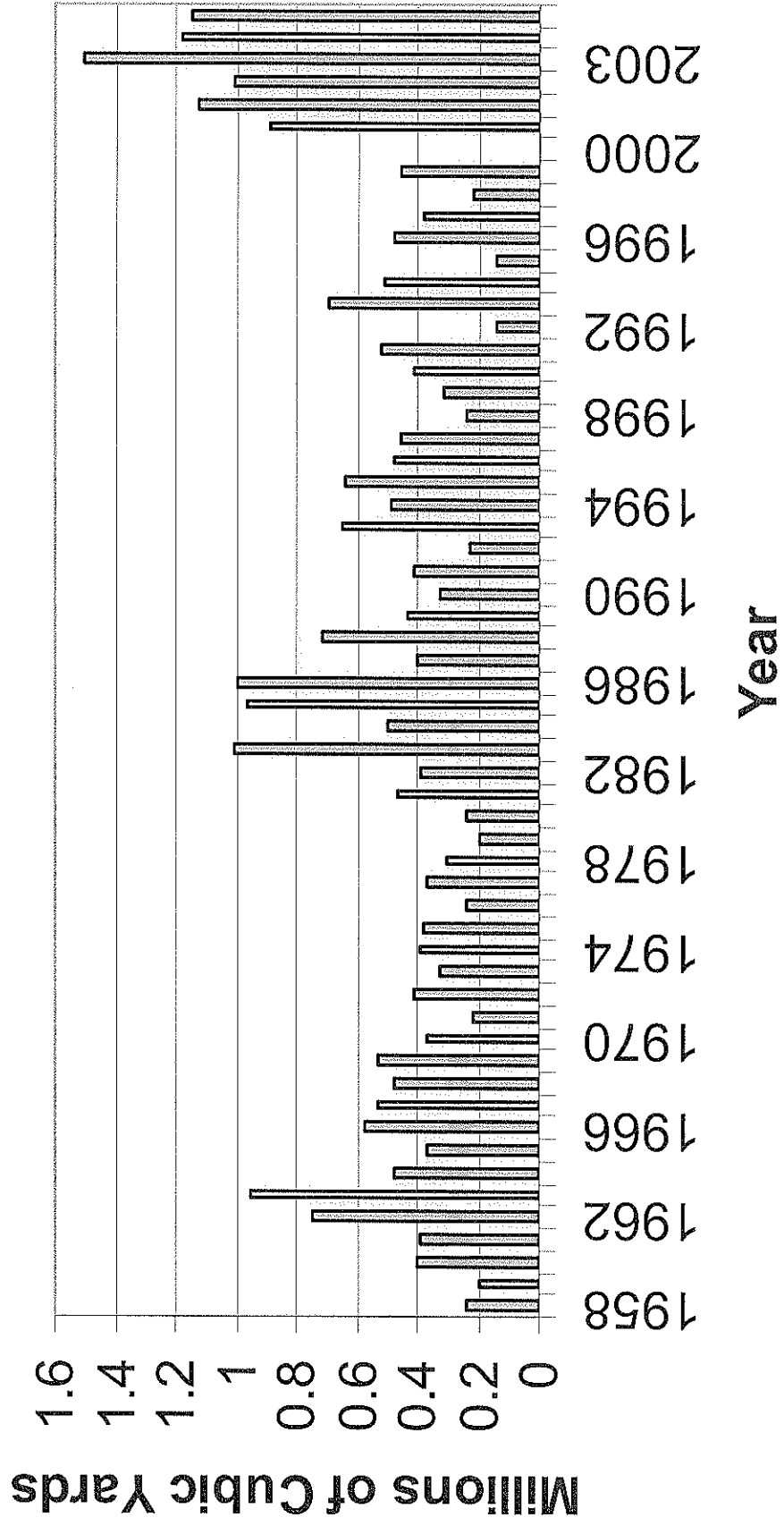
### **Entrance Channel**

Report 1: Data Review  
Steven L. Costa and Karen A. Glatzel September 2002  
U.S. Army Corps of Engineers  
Engineer Research and Development Center

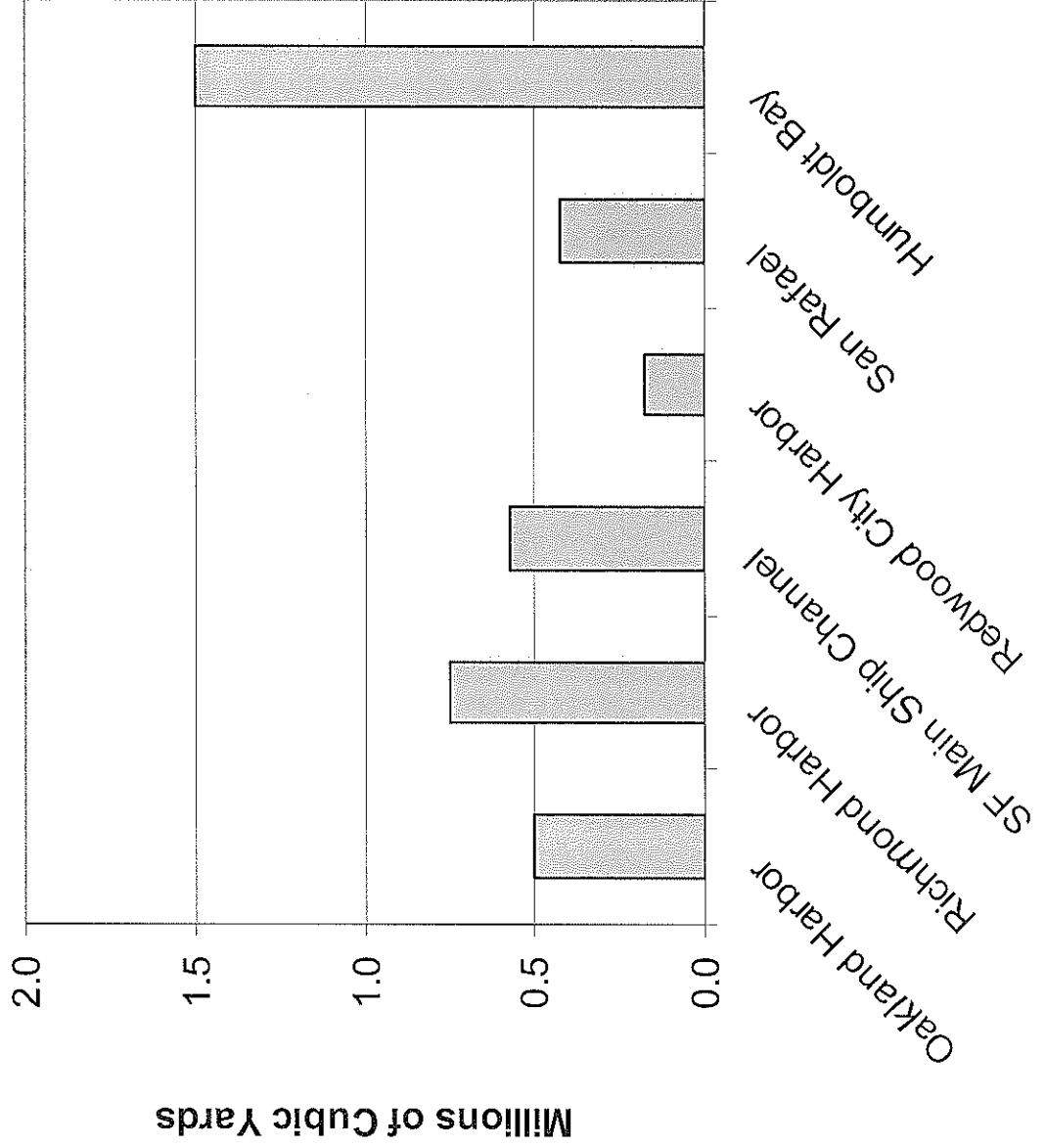
# Annual Dredging Volumes for Humboldt Bay (1991-2005)



# Dredging Volume at the Entrance and Bar of Humboldt Bay (1958-2005)



# Average Annual Dredging Volumes for Humboldt Bay and San Francisco Bay



# Number of Months and Magnitude of Draft Restrictions for Humboldt Bay (1993-2008)

